

STANDARD FORM NO. 64

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Office Memorandum • UNITED STATES GOVERNMENT 0-7234

TO : Director of Central Intelligence DATE: 28 October 1949
FROM : Chief, Audit Division
SUBJECT: Entertainment Funds

1. An audit of the confidential funds expended in the United States for official entertainment which were recorded during the period 1 January through 8 September 1949 has been performed, as directed in your memorandum of 8 September 1949.

2. The audit reveals a total of \$9,156.76 spent for entertainment, of which \$627.95 was borne personally by employees. Of the total amount, \$6,847.35 was spent on 1,012 occasions for 2,405 persons and the remainder of \$2,309.41 was spent on three special projects. A summarization of the amounts involved, by Staff Offices and for special projects, is attached as Table 1.

3. The term "entertainment" has been considered to cover those occasions on which at least one CIA staff member was present when a meal or other type of entertainment was purchased for one or more operational contacts or agents. This interpretation has excluded payments covering actual living expenses allowed agents and informants, such payments being considered a part of the agent's compensation or purchase of information rather than an entertainment item.

4. The vouchers on which entertainment expense was claimed have been audited in accordance with applicable regulations. Paragraphs 7.2 and 7.2a of the Confidential Funds Regulations effective 1 February 1949 were controlling for the major part of the period and are quoted below:

"Expenses for entertainment involved in the procurement of information or special services or in the contacting of persons for operational reasons will be allowed where such entertainment has been approved by the Assistant Director or chief of the field installation concerned. The voucher claiming reimbursement specifically will include the date and nature of the entertainment, the number of persons, the names of the persons entertained, or in lieu of their names, a description of their occupations or the capacities in which the persons entertained were acting, or other data acceptable to the Certifying Officer.

"No reimbursement will normally be allowed for the expenses of entertaining officers or employees of the United States Government exclusively. However,

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where such persons necessarily are present or incidental to the contacting of other individuals or the procurement of confidential information or special services, such expenses may be allowed."

The approving authority of both the ADSO and the ADPC has been redelegated in writing through the designation of approving officers.

5. The audit did not include any investigation into the necessity for or benefit from any of the entertainment, since such a determination was considered an operational activity outside the scope of this assignment. Therefore, reliance has been placed upon the approving officer for assurance that the entertainment was essential to the effective operation of the agency.

6. The audit findings indicate that there has been little or no apparent abuse of confidential funds for entertainment purposes. Amounts spent generally appear reasonable, there has been no excessive concentration of this activity in any one individual, and proper approvals for all expenditures have been obtained. However, numerous instances, discussed below, were noted in which the vouchers did not comply with all technical requirements of the Confidential Funds regulations governing entertainment.

a. The requirement that individuals entertained be named or identified as to occupation or capacity in which entertained was the one most often disregarded. In many cases, those entertained were not identified in any way or were described as "contacts," "agents," or by initials. It is believed that more informative descriptions can be given on the voucher without jeopardizing security and should be included in the future. In the present audit, since no indication of misuse of funds through omission of this information was found, a more complete description of those persons entertained has not been requested.

b. The requirement that the number of persons present and the number entertained be given was not met in numerous instances. The number of staff individuals present is therefore not apparent and an appraisal of the entertainment cost as divided between staff and non-staff individuals has not been possible.

c. In a few cases, the date of entertainment was omitted or vaguely stated. As an illustration of

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this point, James Angleton was paid in June 1949 for entertainment expenses incurred as early as July of the previous year, the 1948 expenses being identified only by month or within a 2-month period. Four entertainment items claimed by Mr. Angleton showed no date by either month or year.

d. The Contact Division vouchers contained affirmative statements that no Government employees were entertained. In regard to vouchers from other offices which did not contain this statement, reliance has been placed on the operational approving officer to exclude entertainment of Government employees only.

7. Some practices, not directly in conflict with regulations but whose administrative desirability is questioned, were observed during the audit.

a. The regulations do not specifically require that the names of staff persons present on entertainment occasions be given. However, an administrative determination has been made by the Finance Division, SSS that this should be done, a determination with which the Audit Division is in complete agreement. Although the vouchers in the early part of the period audited often did not show this information, much improvement has been made since the decision by FD to require it, and it is considered essential that in the future all vouchers show this information to permit proper evaluation of the claim by the approving and certifying officers.

b. The employees of the Contact Division, Office of Operations, when claiming reimbursement for operational meals, make a deduction from the gross cost in the amount of the normal cost of the employee's meal, thus effecting a recovery of a portion of the cost of the employee's meal or meals by the agency. This is done whether the employee is in travel status drawing per diem or at his headquarters. In all except the Contact Division, travelers are including in their claims the cost of their own meals, when present at operational entertainment meals, even though they are also drawing per diem. Inasmuch as this represents dual reimbursement by the Government, it is suggested that in the future a recovery be made from the traveler through a reduction of entertainment expense either (1) in the amount he

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would normally spend for such meal or meals while in travel status, or (2) by fixed amounts to be established for each meal, for example, 75¢ for breakfast, \$1.00 for lunch and \$2.00 for dinner. In this connection, an analysis of the claims shows that in OPC and OSO, where no recovery of any portion of the cost of entertainment meals was made from staff employees, \$1,365.84 or 38% of the total cost of entertainment was incurred by individuals in travel status. Another phase of this problem is that of staff employees sharing in entertainment luncheons at their headquarters. It is felt that the normal cost of lunch should be borne by all staff members present, and only the excess above such normal cost should be reimbursed by the agency as an operational expense.

c. The practice of allowing a period of several months to elapse after an expense is incurred before submitting claim for reimbursement is also questioned, particularly in the case of entertainment where receipts are normally not obtained and documentary evidence of date, cost, and persons present is not available for reference when the claim is prepared. Delays up to eleven months in claiming expenses by Washington staff members were observed.

8. Other facts and general observations revealed by the audit and appearing of interest are presented briefly below:

a. The distribution of per person costs for entertainment by the Staff Offices is shown in the following tabulation:

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Per person cost	OSO	OPC	OO/Contact		Total
			[REDACTED]	[REDACTED]	
Under \$1	7	14	12	3	36
1.00 - 1.99	49	40	211	15	315
2.00 - 2.99	26	62	270	24	382
3.00 - 4.99	58	52	87	6	203
5.00 - 6.99	24	16	11	-	51
7.00 - 9.99	9	1	3	-	13
10.00 - 12.99	2	1	1	-	4

Insufficient information was given in the claims for special project entertainment to permit a similar tabulation of those expenses.

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b. Those instances in which the entertainment costs exceeded \$100.00 on a single occasion were a dinner for 24 persons at Blair House in February 1949 given by OPC, costing \$292.27, and a series of entertainments for two foreign agents given between 6 December and 16 December 1948. This latter series included a dinner for 23 persons at the Shoreham Hotel costing \$591.15; three other dinners in Washington for 7 to 12 persons costing from \$115.00 to \$143.00; two dinners in Chicago, one including entertainment at two night clubs, costing \$118.00 (for 6 people) and \$141.00; and two dinners in New York, one including night club entertainment, costing \$119.00 and \$147.00. The number of persons present on the last three occasions was not given in the claim.

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d. An employee who was authorized to travel to New York City for the purpose of "technical inspection of certain equipment involved in [redacted]" expended \$38.50 in one day (for two people) and \$170.50 in eight days for meals and drinks, mainly with one agent. 25X1A2d1

e. Five cases of wines and liquors were purchased for a dinner for 24 people. The quantity suggests that an unused portion may have remained, for which an accounting was not made.

f. Night club expenses were claimed by an employee authorized to travel to New York City to de-brief an agent.

9. In conclusion, although, as previously stated, the audit revealed in general no evidence of misuse of entertainment funds, it is believed that improved control and administration of entertainment funds is possible. To that end, the following recommendations are offered:

a. That the regulations be amended or clarified to require the furnishing of names of all CIA

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personnel and members of their families present at each entertainment occasion.

- b. That closer adherence to present regulations be required as to furnishing dates of entertainment, number of persons present and entertained, and an informative description of the persons entertained.
- c. That consideration be given to the advisability of recovery of a portion of the cost of entertainment meals from employees drawing per diem, and from employees in headquarters when present at operational luncheons.

[REDACTED] 25X1A9a

Chief, Audit Division

Attachment

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